

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Grayling Recreation Authority	County Crawford
Fiscal Year End 9/30/06	Opinion Date 10/18/06	Date Audit Report Submitted to State 12/18/06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) James M. Anderson, P.C.		Telephone Number 989-563-2450		
Street Address P.O. Box 255		City Roscommon	State MI	Zip 48653
Authorizing CPA Sign: 	<small>Digitally signed by James M. Anderson, CPA DN: cn=James M. Anderson, CPA c=US, o=James M. Anderson, P.C., email=jma@m33access.com Date: 2006.12.18 21:23:01 -05'00'</small>	Printed Name James M. Anderson, CPA		License Number 1101017419

GRAYLING RECREATION AUTHORITY

ANNUAL FINANCIAL REPORT

YEAR ENDED SEPTEMBER 30, 2006

GRAYLING RECREATION AUTHORITY

CRAWFORD COUNTY

BOARD OF DIRECTORS

Chris Jones, Chairman

Brad Wagner, Vice Chairman

Pauline Petrosky, Treasurer

Cari Oppermann, Secretary

Chris Seager

Dr. John Sloan

Mike Lange

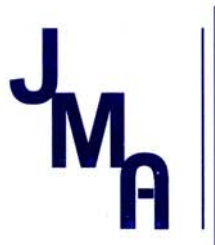
Terry Wright

Dave Jansen

GRAYLING RECREATION AUTHORITY

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James M. Anderson, P.C.

CERTIFIED PUBLIC ACCOUNTANT

P.O. Box 255 • Roscommon, MI 48653

Phone: (989) 563-2450 • Fax: (989) 563-3471 • E-mail: jma@m33access.com

INDEPENDENT AUDITOR'S REPORT

October 18, 2006

Board of Directors
Grayling Recreation Authority
P.O. Box 361
Grayling, Michigan 49738

I have audited the accompanying financial statements of the business-type activity and major fund, which collectively comprise the basic financial statements, of the Grayling Recreation Authority as of and for the year ended September 30, 2006, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activity and major fund of the Grayling Recreation Authority as of September 30, 2006, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The managements's discussion and analysis are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

A handwritten signature in dark ink, appearing to read 'J. M. Anderson', is written over the printed name.

JAMES M. ANDERSON, P.C.
CERTIFIED PUBLIC ACCOUNTANT

MEMBER MACPA and AICPA

**GRAYLING RECREATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

Grayling Recreation Authority (GRA) was established with the cooperation of the Michigan National Guard and the State Military Board. A special law was passed to allow the "Authority" to operate as a "consortium" under a non-profit basis.

GRA maintains and runs Hanson Hills Winter Sports Park and Grayling Fish Hatchery. In addition, GRA organizes and runs recreation programs and special events that include Michigan Cup, various races and the Michigan Bike Festival.

Income and expenses have increased. The ski season contributed many factors in increased income and expense. Large snowfall prior to Christmas week allowed all winter sport to open and remain open for a great season. Cross country operations was open earliest yet. Downhill operations was up and running the weekend prior to Christmas and all through the Christmas/New Year holiday. This is a good ten thousand dollar week. The equipment for grooming and running lifts had been updated and maintained properly in the past couple of years so no major breakdowns or expenses were incurred. Cross Country trails have been re-routed and added to existing trail system. Purchased used groomer specifically for cross country trails made cross country operations run great.

Next Year's Forecast

Winter operations should show an increase in participation. Improvements have been made to many of our lift buildings, ski hill and nordic trail systems. Skyline, a local skill hill closed its winter operations, we have purchased different grooming and maintenance related equipment from them that will aid in more efficient snow making and grooming practices. Ski Rental fleet has been upgraded with 260 pairs of new/used skis. Nordic Ski team has been created to increase membership, and to promote our organization in various Nordic Ski races around the state of Michigan.

GRAYLING RECREATION AUTHORITY
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2006

ASSETS

Current Assets:

Cash	\$ 67,694
Accounts receivable	1,758
Taxes receivable	<u>3,955</u>

Capital Assets - Net	<u>153,462</u>
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Total Assets	<u>226,869</u>
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LIABILITIES

Current Liabilities:

Accounts payable	8,022
Accrued liabilities	9,007
Due to City	2,400
Notes payable - Citizens Bank	<u>9,151</u>

Total Current Liabilities	<u>28,580</u>
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NET ASSETS:

Invested in capital assets, net of related debt	144,311
Unrestricted	<u>53,978</u>

Total Net Assets	<u><u>\$ 198,289</u></u>
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The accompanying notes are an integral part of these financial statements.

GRAYLING RECREATION AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED SEPTEMBER 30, 2006

Operating Revenue		
Membership Fees	\$	6,574
Cross Country Ski Trail Fees		6,762
Ski Tow Fees		25,252
Ski Equipment Rentals		7,844
Tubing Hill		7,702
Locker Rentals		183
Building User Fees		2,752
Food and Beverage Sales		11,413
Vending Sales		377
Ski Shop Sales		630
Lessons Fees		6,288
Special Events		11,234
Recreation Programs		7,958
Hatchery Entrance Fees		11,090
Fish Food Reimbursements		21,273
Miscellaneous		<u>2,062</u>
Total Operating Revenue		\$ 129,394
Operating Expense		
Salaries and Wages		146,007
Payroll taxes		20,706
Fringes		15,605
Supplies		15,726
Maintenance		31,886
Utilities		22,117
Gasoline		5,981
Promotion and Advertising		15,355
Insurance		23,793
Sales Tax		642
Food and Beverage		8,034
Depreciation		44,146
Special Events		9,841
Uniforms		704
Merchandise		977
Hatchery Supplies		10,294
Miscellaneous		<u>1,025</u>
Total Operating Expense		<u>372,839</u>
Operating Income (Loss)		(243,445)
Nonoperating Revenues (Expense)		
Property Taxes		252,855
Local Grants and Donations		838
Interest Expense		<u>(847)</u>
Total Nonoperating Revenues (Expenses)		<u>252,846</u>
Increase (Decrease) in Net Assets		9,401
Net Assets- October 1, 2005		<u>188,888</u>
Net Assets - September 30, 2006		<u>\$ 198,289</u>

The accompanying notes are an integral part of these financial statements.

GRAYLING RECREATION AUTHORITY
STATEMENT OF CASH FLOWS
FOR YEAR ENDED SEPTEMBER 30, 2006

Cash Flows From Operating Activities	
Received from Customers	\$ 127,636
Payments to Employees	(161,889)
Payments to Suppliers	<u>(171,064)</u>
Net Cash Provided by Operating Activities	<u>(205,317)</u>
Cash Flows From Noncapital Financing Activities	
Property Taxes	281,200
Local Grants and Donations	838
Interest Paid	<u>(847)</u>
Net Cash Provided by Noncapital Financing Activities	<u>281,191</u>
Cash Flows From Capital Financing Activities	
Purchase of Fixed Assets	(8,640)
Loan Proceeds	<u>-0-</u>
Net Cash Provided by Capital Financing Activities	<u>(8,640)</u>
Net increase (Decrease) in Cash and Cash Equivalents	67,234
Cash and Cash Equivalents at Beginning of Year	<u>460</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 67,694</u></u>
Reconciliation of Operating Income (Loss) to Net Cash	
Provided by Operating Activities	
Operating Income (Loss)	\$ (243,445)
Adjustments to Reconcile Operating Income to Net Cash	
Provided by Operating Activities	
Depreciation Expense	44,146
Change in Assets and Liabilities	
(Increase) Decrease in Accounts receivable	(1,758)
(Increase) Decrease in Accounts Payable	10,054
Increase (Decrease) in Notes Payable	(17,938)
Increase (Decrease) in Due to County / City	(1,200)
Increase (Decrease) in Payroll withholding	<u>4,824</u>
Net Cash Provided by Operating Activities	<u><u>\$ (205,317)</u></u>

The accompanying notes are an integral part of these financial statements.

GRAYLING RECREATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE A - DESCRIPTION OF OPERATIONS AND FUND TYPE

The Grayling Recreation Authority was created March 1977 in accordance with the provisions of Act 156, PA 1917. Its purpose is to operate Rasmus Hanson Park and promote recreation in the Crawford County area with an emphasis on skiing. The Authority operates under a 9 member Board, appointed by the respective municipal corporations, comprised of 2 from the Township of Grayling, 2 from the Crawford-AuSable School District, 2 from the County of Crawford and 3 members-at-large. The Authority leases Rasmus Hanson Park from the State Military Board, State of Michigan, at no cost.

The Authority is, for financial reporting purposes within accounting principles generally accepted in the United States of America, an enterprise fund.

Grayling Recreation Authority is a jointly governed organization as defined by GASB No. 14 which states, "The laws in many states provide for the creation of regional governments or other multi governmental arrangements that are governed by representatives from each of the governments that created the organization. These organizations may appear to be similar to joint ventures, they provide goods or services to the citizenry of two or more governments, but many do not meet the definition of a joint venture because there is no ongoing financial interest or responsibility by the participating governments."

NOTE B - DESCRIPTION OF FUND

Enterprise Fund

This fund accounts for operations: (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or, (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Grayling Recreation Authority conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant policies.

GRAYLING RECREATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2006

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

The accrual basis of accounting is followed. The accrual basis provides that revenues are recorded when earned and expenditures are recorded when the related liability is incurred.

Capital Assets

Fixed assets are stated at cost or fair market value at date of acquisition. Costs relating to maintenance and repairs are charged to expense, whereas those for renewals and betterments, when significant in amount, are capitalized. Provisions for depreciation of equipment are computed on the straight-line method. Donated fixed assets are stated at their market value as of the donation date.

DEPRECIATION

Depreciation is computed on straight-line method for all capital assets. The depreciation rates are designed to amortize the cost of the assets over their estimated useful lives as follows:

Building	30 to 50 years
Road Equipment	5 to 8 years
Shop Equipment	10 years
Engineering Equipment	4 to 10 years
Office Equipment	4 to 10 years

NOTE D - CASH DEPOSITS

Deposits are carried at cost. Deposits of the Authority are at 2 banks in the name of the Authority's Treasurer. Act 217, PA 1982, as amended, authorizes the Authority to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other obligations of the United States, or any agency or instrumentality of the United States,; repurchase agreements; banker's acceptance of United States banks; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; and commercial paper rated by two standard rating agencies within the three highest classifications, which mature not more than 270 days after the date of purchase; obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.

GRAYLING RECREATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2006

NOTE D - CASH DEPOSITS (CONTINUED)

Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money not listed above. The Authority's deposits are in accordance with statutory authority. The risk disclosures for the Authority deposits, as required by Governmental Accounting Standards Board (GASB) Statement No. 3, are as follows:

<u>Deposits</u>	<u>Carrying Amount</u>	<u>Bank</u>
Insured (FDIC)	<u>\$ 67,694</u>	<u>\$ 68,938</u>

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and the Authority's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to local government's indirect investment in securities through the use of mutual funds or government investment pools.

Interest Rate Risk

The Authority has not adopted a policy that indicates how the Authority will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by limiting the weighted average maturity of its investment portfolio to less than a given period of time.

Concentration of Credit Risk

The Authority has not adopted a policy that indicates how the Authority will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Authority's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

GRAYLING RECREATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2006

NOTE E - PROPERTY TAXES

Crawford County has a special millage of .50 mills for the Authority that is levied each December 1 on the taxable valuation of property located in the County as of the preceding December 31st. The tax is used for general operations of the Authority. Taxes collected for this fiscal year amounted to \$252,855.

NOTE G - CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2006 was as follows:

	<u>Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>End of Year</u>
Capital assets:				
Buildings and improvements	\$ 76,763	\$ -0-	\$ -0-	\$ 76,763
Furniture and Fixtures	14,370	-0-	-0-	14,370
Snow equipment	363,900	8,640	-0-	372,540
Miscellaneous equipment	<u>195,054</u>	<u>-0-</u>	<u>-0-</u>	<u>195,054</u>
Total capital assets	650,087	8,640	-0-	658,727
Less: Accumulated depreciation	<u>461,119</u>	<u>44,146</u>	<u>-0-</u>	<u>505,265</u>
Net capital assets	<u>\$ 188,968</u>	<u>\$ (35,506)</u>	<u>\$ -0-</u>	<u>\$ 153,462</u>

NOTE H - DUE TO CITY

The City of Grayling paid invoices for the fish hatchery and has agreed to be reimbursed \$1,200 per year over the next two years totaling \$2,400.

GRAYLING RECREATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2006

NOTE I - RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority continues to carry commercial insurance for property, liability, wrongful acts, crime inland marine, and other risks of loss including workers' compensation and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE J - NOTES PAYABLE

Grayling Recreation Authority entered into an installment note agreement with Citizens Bank on October 19, 2001, in the amount of \$83,458 for the purpose of purchasing equipment. The note required monthly payments of \$1,565.41 at an interest rate of 4.75% maturing on October 19, 2006.

As of September 30, 2006, the note had a balance of \$9,151 and is scheduled to be repaid in 2007.

GRAYLING RECREATION AUTHORITY

REPORT TO MANAGEMENT

SEPTEMBER 30, 2006



James M. Anderson, P.C.

CERTIFIED PUBLIC ACCOUNTANT

P.O. Box 255 • Roscommon, MI 48653

Phone: (989) 563-2450 • Fax: (989) 563-3471 • E-mail: jma@m33access.com

October 18, 2006

Board of Directors
Grayling Recreation Authority
P.O. Box 361
Grayling, Michigan 49738

In planning and performing my audit of the financial statements of the Grayling Recreation Authority, as of and for the year ended September 30, 2006, I considered the Authority's accounting, operational, and internal control procedures to determine the nature and extent of my audit testing for the purpose of expressing an opinion on the financial statements of the Authority and not to provide assurance on the procedures themselves.

I did however, during the course of my audit, become aware of certain matters that are opportunities for enhancing those procedures or controls. The memorandum that accompanies this letter summarizes my comments and suggestions regarding those matters. This letter does not affect my report dated October 18, 2006, on the financial statements of the Grayling Recreation Authority.

I have already discussed these comments and suggestions with the Authority's personnel, and I will be pleased to discuss them in further detail at your convenience, and/or to perform any additional studies of these matters, should you so desire.

Sincerely,

A handwritten signature in blue ink, appearing to read "J M Anderson", written over a horizontal line.

JAMES M. ANDERSON, P.C.
CERTIFIED PUBLIC ACCOUNTANT

**GRAYLING RECREATION AUTHORITY
COMMENTS AND RECOMMENDATIONS
SEPTEMBER 30, 2006**

Disbursements

The Authority has a requirement of two signatures for disbursement checks and currently has three authorized signatures. One of the signatures is available through a stamp which is kept in the office. During the audit it was determined that this stamp was used with the permission of the Treasurer. However, this is not documented. I recommend the signature stamp be locked in the safe and used only with prior verbal authorization. In addition, written authorization should be obtained for the use of the stamp after the fact.

Form 1099 Misc

The IRS requires that a Form 1099-Misc be prepared for contracted services from non incorporated businesses or individuals in excess of \$600.

I recommend that a vendor list be prepared at the end of each calendar year and 1099's be prepared as required. In addition, the Authority should have a Form W-9 filled out and kept on file for each contracted vendor.